

ST 01-0158-GIL 08/14/2001 MANUFACTURING MACHINERY AND EQUIPMENT

When determining whether a piece of equipment qualifies for the manufacturing machinery and equipment exemption, the requirements of 86 Ill. Adm. Code 130.330 must be met. This regulation describes the manufacturing process as the production of articles of tangible personal property or the assembling of different articles of tangible personal property by procedures commonly regarded as manufacturing, processing, fabricating, or refining which changes some existing material or materials into a material with a different form, use or name. (This is a GIL).

August 14, 2001

Dear Xxxxx:

This letter is in response to your letter dated May 14, 2001. The nature of your letter and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120(b) and (c), which can be accessed at the Department's Website at <http://www.revenue.state.il.us/legalinformation/regs/part1200>.

In your letter, you have stated and made inquiry as follows:

Our company is a wholesale horticultural firm supplying seeds and other horticultural products to our customers. Seeds are supplied to our customers in small foil bags that we have been purchasing from an out-of-state vender.

We are considering purchasing machinery to produce these foil bags. Would this machinery be eligible for the manufacturing machinery and equipment exemption from ROT under Section 130.330? If so, would we provide Form ST-587 to the manufacturer if we purchase this machinery?

Thank you for your help with this.

Enclosed is a copy of 86 Ill. Adm. Code 130.330 concerning the Manufacturing Machinery and Equipment Exemption. In general, the Retailers' Occupation Tax does not apply to sales of machinery and equipment used primarily in the manufacturing or assembling of tangible personal property for wholesale or retail sale or lease.

When determining whether a piece of equipment qualifies for the manufacturing machinery and equipment exemption, the requirements of 86 Ill. Adm. Code 130.330 must be met. This regulation describes the manufacturing process as the production of articles of tangible personal property or the assembling of different articles of tangible personal property by procedures commonly regarded as manufacturing, processing, fabricating, or refining which changes some existing material or materials into a material with a different form, use or name. These changes must result from the process in question and be substantial and significant, Section 130.330(b)(2).

The Department has previously ruled that the packaging of seeds for sale to users is a process that can qualify for the exemption. As a result, the machinery described in your letter could qualify.

You have inquired about Form ST-557, Machinery and Equipment Exemption Certificate. This Certificate may be used to document the manufacturing machinery and equipment exemption. If the purchaser has an active registration or resale number, that number may be given in lieu of the prescribed certificate. See Section 130.330(g).

I hope this information is helpful. The Department of Revenue maintains a Web site, which can be accessed at www.revenue.state.il.us. If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of Section 1200.110(b).

Very truly yours,

Karl W. Betz
Associate Counsel

KWB:msk
Enc.